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## GOVERNMENT FACTORIES; AN ATTEMPT TO CONTROL COMPETITION IN THE FUR TRADE

KATHERINE COMAN

Regulation of the Indian trade was a policy inherited from Great Britain by the seceded colonies. Indians and fur-bearing animals had been driven from the Atlantic Coast by the end of the eighteenth century, but the region beyond the Appalachians, added to British possessions in America by the Treaty of Paris, was reserved from settlement by a decree of George III with a view to maintaining peace with the native tribes and preserving the fur trade. Daniel Boone and other hunters, defying the royal decree, crossed the mountain passes that led into Ken-ta-kee, and soon settlers were pouring into the forbidden territory. The Congress of the Revolution manifested its sense of responsibility for the peace of the frontiers by forbidding (1776) persons to trade with the Indians unless licensed by the proper authorities. Ten years later, the Congress of the Confederation found time to expand this prohibition into a careful regulation of the fur trade. An Indian department was established under the Secretary of War, and the deputy agents were authorized to grant licenses to citizens of the United States whose moral character was vouched for by the governor of the state to which they belonged. A bond of \$5000 must be given for the observance of regulations as to the sale of liquor and firearms, while the term was limited to one year. A fee of \$50 was charged for this permit, and a penalty of \$500 with forfeiture of goods was imposed on unlicensed traders. These severe regulations were modified by subsequent legislation (1790, 1793, 1796, 1802). The license fee was abolished, the penalties for non-observance were lightened, and the requirement of responsible moral character lapsed. Jay's Treaty conceded to British subjects the right to secure licenses to trade within United States territory, and thus the fur trade of the Illinois Country, the prize wrenched from the British traders by Clark's Wabash expedition, was thrown open to all comers, and anarchy ran riot. In the hope of counteracting the influence of the Montreal traders, protecting the Indians from imposition on the part of our citizens, and promoting the prestige of the United States among the frontier tribes, President Washington proposed that government factories be established at strategic

points where goods should be sold at cost and furs and peltries be received at fair and even liberal prices. The Committee to whom this suggestion was referred reported favorably (December 1, 1794) and recommended "that as this transaction is intended to conciliate the affections of the Indians, it should not be the object of the government to profit thereby; hence a stated price should be fixed on the articles to be sold, having regard to the profit and loss on the articles received in payment, in such manner that although nothing is to be made by the government, the capital should be kept entire." The act of 1796 was the result. A fund of \$150,000 was appropriated by Congress as a capital stock, and two posts were immediately established, Coleraine on the St. Mary's River, Georgia, and Tellico blockhouse in the South West Territory. The fund was increased to \$260,000 in 1804 and to \$300,000 in 1809, while the original allowance of \$8000 for salaries of factors<sup>1</sup> and post expenses was later increased to \$10,000 and \$19,250.

As Indians, game, and furred beasts were driven west by the on-moving tide of settlers, the original posts were abandoned and new factories were opened at Chickasaw Bluffs, Fort Wayne, Detroit, Natchitoches, Chicago, Michillimackinac.<sup>2</sup>

<sup>1</sup> The salary of the factor was \$1000, that of his assistant \$500, while an allowance of \$500 was made for the subsistence of each post.

<sup>2</sup> List of factories in operation in 1810 as given by Gen. John Mason, Superintendent of Indian Trade, with the date of establishment.

1795, Coleraine, on St. Mary's River, Georgia.

" Tellico blockhouse, South West Territory.

1802, St. Stephens on the Mobile River.

" Chickasaw Bluffs on the Mississippi.

1802, Fort Wayne, on Miami of the Lakes.

1805, Detroit, on the St. Clair River.

" Arkansas Post, on the Arkansas River.

" Natchitoches, on the Red River.

" Belle Fontaine, on the Missouris where it empties into the Mississippi.

" Chicago, on Lake Michigan at the portage to the Illinois.

1806, Sandusky, on the Lake Erie.

1808, On the island of Michillimackinac, the oldtime fur market of the Algonquins.

" Fort Osage on the south bank of the Missouri between the Kansas and the Osage Rivers.

" Fort Madison on the Upper Mississippi.

The original factories, Coleraine and Tellico, had been moved farther west and two had been discontinued as unnecessary, Detroit and Belle Fontaine. (American State Papers. *Indian Affairs.* I, 767.)

The first annual reports of the trade operations of the government were highly satisfactory. That for 1801 indicated that the capital had not been depleted but even increased by three or four per cent. The Indians were gratified by the assured market for their furs and the fair treatment accorded them at the government stores. The illicit sale of liquor was prevented, while the ambitions of the Northwest Company were held in check. In January, 1803, President Jefferson addressed a message to Congress recommending that more factories be placed on the troubled frontiers, saying, "We undersell private traders, foreign and domestic, drive them from the competition, and thus with the good will of the Indians, rid ourselves of a description of men who are constantly endeavoring to excite, in the Indian mind, suspicions, fears, and irritations toward us." This most philosophical of presidents proceeded to discuss the advantages of the government factory as a means of civilizing the Indians and of inducing them to settle down to an agricultural life.<sup>3</sup> Once farmers, the aborigines would discover that they needed less territory than when they were dependent on the chase, and might therefore be willing to sell their lands to the whites. The fur trade, on the contrary, had the effect of inducing the aborigines to abandon their native industries and to render them wholly dependent on hunting.

For the private trader driven from the region east of the Mississippi by the no profit operations of the government trading houses, Jefferson proposed the Missouri River, whose rich resources were being exploited by the agents of the Northwest Company, notwithstanding the handicaps of distance, difficult portages, and streams frozen over half the year. The fact that the watercourses of this little-known territory flowed south to the Mississippi should give United States traders an important advantage. The president went on to intimate that the Missouri might soon be explored to its source and beyond. "An intelligent officer, with ten or twelve men fit for the enterprise, and willing to undertake it, might explore

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Later additions were Des Moines, Fort Hawkins, Green Bay, Prairie du Chien, Sulphur Fork of Red River, Fort Edwards.

There were but nine government factories in existence in 1822, Fort Osage and Marais des Cygnes in the Missouri district, Prairie du Chien and Fort Edwards on the Upper Mississippi, Choctaw, Arkansas Post, and Sulphur Fork in the south, Green Bay and Chicago on Lake Michigan.

<sup>3</sup> With this end in view and at Jefferson's instance, an agricultural school had been opened at Nauvoo in the Illinois Country where the Sacs and Foxes were planting corn and raising cattle. Coues' *Pike*, I, 256, 291.

the whole line, even to the Western Ocean; have conferences with the natives, on the subject of commercial intercourse; get admission among them for our traders, as others are admitted; agree on convenient deposits for an interchange of articles, and return with the information acquired in the course of two summers.”<sup>4</sup>

This project was realized in the Lewis and Clarke expedition to the Columbia, which opened up a vast new territory to the fur traders of St. Louis. While sojourning at the Mandan villages in the winter of 1804-05, the captains had opportunity to see the Canadian traders and they stated the American policy to Larocque, a *bourgeois* of the Northwest Company. “They (Captains Lewis and Clarke) told me it was not the policy of the United States to restrain commerce and fetter it as was the case when Louisiana belonged to the Spanish; that we and all persons who should come into their territories for trade or for any other purpose, will never be molested by any American officer, or commandant, unless his behaviour is such as would subject an American citizen himself to punishment. Nor will any trader be obliged to pay for permission to trade, as was formerly the case under the Spanish, as no exclusive privilege will be granted. One thing that government will do, as it has always done about Detroit, and other places where opposition in trade ran high, is to have a public store well assorted of all kinds of Indian goods, which store is to be opened to the Indians only when the traders in opposition run to excessive lengths; for the purpose of underselling them and, by that means, keep them quiet. No derouine (credit sales) to take place, no liquors to be sold, etc. In short, during the time that I was there a very grand plan was schemed, but its being realized is more than I can tell, although the captains say they are well assured it will.”<sup>5</sup>

While acting as governor of Louisiana Territory, Captain Lewis prepared a report on the Indian trade, which, though left unfinished at his untimely death, is a valuable contribution to the discussion of the government policy. French and Spanish creoles were prosecuting the fur trade on the Missouri as far as Council Bluffs, before the Louisiana Purchase had brought that rich territory within the jurisdiction of the United States; but the Lewis and Clarke expedition by revealing the rich resources of the upper river had attracted “several enterprising American merchants” to

<sup>4</sup> American State Papers. *Indian Affairs.* I, 685.

<sup>5</sup> Masson, *Les Bourgeois de la compagnie du Nord-Ouest.* I, 305-6.

this business opportunity. Meantime the Northwesters were pushing down from the Canadian posts into the same region, and their pirogues loaded with beaver and buffalo robes floated down the Mississippi to St. Louis and New Orleans. Besieged by so many and diverse rivals for their patronage, the Indians were becoming truculent and dangerous, and appeal was repeatedly made to the officers of the United States army to punish the outrages committed against the traders. The most frequent source of contention was the system of giving credits, a vicious practice handed down from the Spanish regime, according to which the trader advanced to the Indian tribe from which he hoped to secure furs, an equipment of food, clothing, and ammunition sufficient for the winter's hunt. The merchant made these advances in the expectation of being paid in full when the braves returned to his post in the spring bringing their season's catch; but the Indians considered the merchandise in the nature of presents, tribute rendered for the privilege of passing through their territory unmolested, rather than a binding obligation. Not infrequently a rival trader intercepted the tribe on its return from the hunt and purchased the furs on the spot, quite regardless of the previous contract. "When the merchant to whom they are indebted arrives, they have no peltry, either to barter or to pay him for the goods which they have already received; the consequences are that the merchant who has sustained the loss becomes frantic; he abuses the Indians; bestows on them the epithets of liars and dogs, and says a thousand things only calculated to sour their minds and disaffect them to the whites; the rival trader he accuses of having robbed him of his credits and calls him many opprobrious names; a combat frequently ensues, in which the principals are not the only actors, for their men will, of course, sympathize with their respective employers. The Indians are the spectators of these riotous transactions, which are well calculated to give them a contempt for the character of the whites, and to inspire them with a belief of the importance of their peltries and furs." It was impossible to supervise the operations of Indians or traders with the inadequate force then provided by the government. "The Superintendent of St. Louis, distant eight hundred or a thousand miles, cannot learn whether they have forfeited the penalty of their licenses or not; they may therefore vend ardent spirits, compromit the government, or the character of the whites, in the estimation of the Indians, or practice any other crimes in relation to those people, without fear of detection."

tion or punishment." Lewis suggested that military posts be established on the upper Missouri at Council Bluffs, and at its junction with the Yellowstone, where traders and Indians might meet under official supervision. So the red man would be protected against extortion and fraud, and the trader might have safe storage for his goods and furs, while the demoralizing traffic in liquors could be controlled to the lasting advantage of all concerned. "If both traders and Indians throughout Upper Louisiana were compelled to resort to regulated commercial posts, then the trader would be less liable to be pillaged, and the Indian deterred from practicing aggression; for when the Indians once become convinced that, in consequence of their having practiced violence upon the persons or property of the traders, they have been cut off from all intercourse with those posts, and that they cannot resort to any other places to obtain merchandise, then they will make any sacrifice to regain the privilege they had previously enjoyed; and I am confident that, in order to regain our favor in such cases, they would sacrifice any individual who may be the object of our displeasure, even should he be their favorite chief; for their thirst of merchandise is paramount to every other consideration." It is improbable that this practical suggestion was ever submitted at Washington. No steps in this direction were taken, but in 1808 a new government factory, Fort Osage, was planted on the Missouri River.

The act of 1811 created the office of Indian Trade under the War Department and provided for a superintendent, at a salary of \$2000, who was made responsible for purchases, sales, and disbursements. The business was seriously handicapped by the requirement that supplies must be bought and furs sold in the home market. The goods were inferior to those imported from England by private merchants, while the American market for furs was overstocked and the prices ran correspondingly low. Many bales rotted in the cellars at Philadelphia and New Orleans where they lay awaiting a purchaser. During the War of 1812 the trading posts suffered from British depredations,<sup>6</sup> prices for domestic goods were doubled and trebled, while furs were a drug in the market. Many of the independent traders were ruined and the stock invested by the government was depleted by \$43,369.

<sup>6</sup>The buildings, supplies, and stock of furs at Chicago, Michillimackinac, Sandusky, Fort Wayne, and Fort Madison were lost to the enemy. American State Papers. *Indian Affairs*, II, 59, 68.

The public venture in the Indian trade had never been regarded as permanent, the enabling act had been renewed at three year intervals and the factories located at points indicated by military considerations. Thus far there seems to have been no serious opposition raised by the private traders, and the maintenance of peace on the frontiers where new settlements were being planted was regarded as the paramount interest. But the Peace of Ghent gave assurance of permanent tranquility and the fur trade recovered its former activity. Astor reorganized the American Fur Company and laid a strong hand upon the traffic centering at Mackinaw, while the merchants of St. Louis revived ambitious projects for the Missouri River trade. The machinations of the Northwest Company were defeated by the settlement of the boundary question, and the influence of Astor at Washington secured their exclusion from United States territory. The abolition of the government factories was the next move. The initial protest was voiced by Ninian Edwards,<sup>7</sup> the first governor of Illinois Territory, in 1815; but his argument is evidently based on a statement submitted to him by "Colonel" Auguste Chouteau, who having pursued the fur trade on the Missouri for forty years, "with such success as to have amassed an immense fortune by it", had first-hand information. According to Chouteau the government agent, stationed at a frontier post and little influenced by public opinion, is not prone to a zealous performance of a business in which he has no personal interest. He is, moreover, apt to be quite ignorant of the language, customs, and taste of the Indians, and rarely secures their confidence. Only a small portion of the furs taken reach the government factories for they are located at military posts without reference to neighborhood to the native villages, while the private trader follows the Indians to the hunting grounds and purchases the furs on the spot. These *courreurs du bois*, moreover, undertake long journeys into the interior and are thus making discoveries of first importance. The prohibition of credit advances imposed on the government salesman is a serious handicap. The hunting grounds are so far exhausted that the Indians are obliged to go as much as three hundred miles from their villages for the winter hunt, taking their families with them. They must be equipped with clothing and ammunition, and they have nothing to give in exchange until they return in the spring. Having found that the trade was slipping from the hands

<sup>7</sup> American State Papers. *Indian Affairs.* II, 62-7.

of the government factors, Edwards submitted two suggestions. First, that a government factory be established at St. Louis to deal, not with the Indians, but with the traders, furnishing goods on credit to men who could give security (*e. g.*, \$10,000) for repayment of advances and for observances of the regulations. In this way the odium of a government monopoly would be avoided and traders, *voyagers*, and *engagees* would be attracted to St. Louis. Chouteau, who probably originated this proposal, opined that the trade of the lower Missouri was worth \$150,000 a year and could be handled by twenty or thirty *bourgeois* with two hundred *engagees*. The trade of the upper Missouri with the more war-like tribes, Sioux, Aricaras, and Blackfeet, involved far greater risks, and this privilege should be vested in a joint concern with a capital sufficient to enable it to compete with the Northwest Company. Returns to the amount of \$200,000 a year might be anticipated, once the business was on a stable foundation.

Apparently the arguments in favor of private business thus eloquently set forth, did not find favor at Washington. Secretary Crawford transmitted to Congress in 1816 the recommendation that the capital<sup>8</sup> entrusted to the office of Indian Trade be raised to \$500,000 and that the conditions on which licenses were granted to private traders be made more rigorous—for example, none but men of approved reliability to be admitted to the trade and a bond of \$10,000 to be exacted. The report of Secretary Calhoun for 1818 was in the same tenor. He believed that the existence of the government factory had blinded public attention to the need of rigorous licensing requirements. Under the loose system then prevailing, foreigners and unscrupulous adventurers were securing this responsible privilege. Liquors were sold by wandering peddlers and the Indians were being rapidly demoralized. He recommended the reënactment of the law of 1786 with even higher fees and penalties.<sup>9</sup> A high license requirement would throw the trade into the hands of more reliable men who could be counted upon to report the misdeeds of the peddlers. The licensed merchants should be required to maintain fixed headquarters, and their accounts showing the rates at which goods were exchanged for furs should at all times be open to the

<sup>8</sup> The losses incurred during the War of 1812 had been made good within \$18,000, representing a gain of \$34,547.

<sup>9</sup> *E. g.*, an annual fee of from \$100 to \$500 and the penalty for trading without license from \$500 to \$1,000.

inspection of the Indian agent. For the new and rich territory beyond the Mississippi, where American traders were brought into competition with the British companies, Calhoun recommended that exclusive privilege of the Indian trade should be vested in a joint stock company, with a large capital, for a term of twenty years. The incorporators should give adequate guarantees for the observance of all regulations, and a tax proportioned to the subscribed capital should be exacted in return for their valuable concession. Calhoun evidently anticipated some opposition from the individualists, but he is undaunted. "The mere objection that it would create a monopoly ought not to outweigh so many advantages. . . . A nation discovers its wisdom no less in departing from general maxims, where it is no longer wise to adhere to them, than in its adherence to them in ordinary circumstances."<sup>10</sup>

Calhoun's strictures on the private traders were fully borne out by a report rendered by Major Thomas Biddle, who served under General Atkinson on the Missouri River expedition of 1819 and was deputed to make a special study of the Indian trade.<sup>11</sup> There were at that time six private firms engaged in the business, the sum of whose capital stock amounted to but \$53,000,<sup>12</sup> and the government factory at Fort Osage. "It is evident from this statement that the trade is of little importance in a pecuniary point of view, and that various individuals having opposite interests trade with the same Indians. These traders are continually endeavoring to lessen each other in the eyes of the Indians, not only by abusive words, but by all sorts of low tricks and manoeuvres. If a trader trusts an Indian, his opponent uses all his endeavors to purchase the furs he may take, or prevent in any way his being paid. Each trader supports his favorite chief, which produces not only intestine commotions and divisions in the tribe, but destroys the influence of the principal chief, who should

<sup>10</sup> American State Papers. *Indian Affairs.* II, 185.

<sup>11</sup> American State Papers. *Indian Affairs.* II, 201-3.

<sup>12</sup> Lisa, Pilcher, Carson, etc.....	\$17,000
Seres & Francis Chouteau.....	4,000
Legarc, Chouteau & Bros.....	6,000
The traders Roberdeau & Pepin, partners of Chouteau & Buthold.....	12,000
Pratt & Vasquer.....	7,000
Broseau & DeLorion.....	7,000

All St. Louis firms.

always be under the control of the government. The introduction of ardent spirits is one of the unhappy consequences of this opposition among traders. So violent is the attachment of Indians for it, that he who gives most is sure to obtain furs, while, should anyone attempt to trade without it, he is sure of losing ground with his antagonist; no bargain is ever concluded without it, and the law on that subject is evaded by their saying they give and not sell it. The traders being afraid to trust the Indians, they cannot make distant hunts; this and their attachment to whiskey induce them to hang about in the vicinities of trading establishments. As they take furs, they sell them for whiskey; the consequence is that but few furs are taken, as much of the hunting season is lost in intoxication and indolence. The Indians witnessing the efforts of these people to cheat and injure each other, and knowing no other or no more important white men, they readily imbibe the idea that all white men are alike bad. The imposing appearance of arms and equipments of white men, and the novelty and convenience of their merchandise, had impressed the Indians with a high idea of their power and importance; but the avidity with which beaver skins are sought after, the tricks and wrangling made use of, and the degradation submitted to in obtaining them, have induced a belief that the whites cannot exist without them, and made a great change in their opinion of our importance, our justice, and our power....The impossibility of civilizing the Indians, when exposed to the temptations and delusions of interested traders, needs no comment." General Atkinson corroborated this testimony as to the traders. "So illiberal are the traders in their conduct toward each other, that, when one of them gives credit to a tribe to enable it to send out hunting and trapping parties, another despatches an agent, or agents, with a supply of goods and whiskey to dog the parties on their excursions, and, by the lure of a little whiskey, and some trifling articles, rob them of their peltries and furs as soon as they are taken from the animal's back, and the just creditor of his pay. This sort of conduct has very injurious consequences; for, as it is so generally practiced, every trader is afraid to give such credits as are necessary to enable the Indians to provide such articles as their women and children stand in need of; and the dogging gentry leave little or nothing in their hands at the end of their hunts to purchase with....If this be the fact, (and I assure you it is) is it just or proper that the influence over the

Indians should be left in such hands? . . . It appears to be an easy matter for Congress to remedy the evil; and it would seem that they will, if they can believe those who are personally acquainted with the facts. To do it, all intercourse by individual traders with the Indians should be prohibited; and let the government take the whole trade into their own hands, or confide it to a single company with sufficient capital." Biddle went farther and urged the extension of the government factory to the exclusion of all private trade. "Let the government take the trade into their own hands; let the agents be honest, capable, and zealous; let their factories be established, not only where troops may be stationed, but at all points convenient for trading with the Indians; let certain prices be fixed, and let the compensation of the factors depend upon the value of the furs they obtain; let their accounts be rigidly inspected. The Indians would then be completely within the influence of the government; there would then be no difficulty in giving credit, because, if the Indian did not pay, he would find no one else to trust him; neither would it be necessary to debauch the Indians with whiskey. With credits to obtain the means of subsistence, and without the incitement of whiskey to indolence, they would make more furs than when surrounded by a host of traders."<sup>13</sup>

The committee to which this report was submitted was not ready to recommend so drastic a measure. They reported a bill authorizing the president to confine licenses to persons of good moral character and to revoke the licenses of traders who had transgressed the law regarding the sale of liquor; but Congress failed to adopt even these mild restrictions, and the regime of cut-throat competition was allowed to continue, only slightly modified by the existence of a dozen isolated factories whose methods and equipment were futile in comparison with the unscrupulous zeal of the private traders. In his report of 1820, Thomas L. McKinney, the superintendent of Indian Trade since 1816, protested that it was unreasonable to look for large results when alongside the government factory is arrayed "such a multitude of private interests, all of them aiming by separate plans of policy, and with scarcely any government control, to overcome and put down each other and whatever else opposes the realization of their separate and clashing interests." He recommended (in the Report of 1821) that the capital invested in the government

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<sup>13</sup> American State Papers. *Indian Affairs.* II. 204.

trade be raised to \$500,000 in order that factories be planted on the upper Missouri, and urged that more effective restraints be placed on the private traders; that a license fee of \$200 be imposed and a bond of \$10,000 required; that whiskey be excluded under heavy penalty; and that the several firms engaged be under obligation to submit detailed accounts of their transactions with the Indians.

As the unparalleled resources of the Louisiana Territory became apparent, the private interests involved grew more powerful and insistent. Their special representative was Thomas H. Benton, the eloquent and influential senator from the new state of Missouri. In his "Thirty Years' View", Benton narrates the unequal battle, making no attempt to withhold his own prepossessions. "The experience of the Indian factory system is an illustration of the unfitness of the federal government to carry on any system of trade, the liability of the benevolent designs of the government to be abused, and the difficulty of detecting and redressing abuses in the management of our Indian affairs. . . . As a citizen of a frontier state, I had seen the working of the system—seen its inside working, and knew its operation to be entirely contrary to the benevolent designs of its projectors." He had communicated his views to the Secretary of War in 1820, "but he had too good an opinion of the superintendent (then Mr. Thomas L. McKinney) to believe that anything was wrong with the business and refused to countenance my proposition. Confident that I was right, I determined to bring the question before the Senate—did so—brought in a bill to abolish the factories and throw open the fur trade to individual enterprise, and supported the bill with all the facts and reasons of which I was master."<sup>14</sup> The matter was referred to the Committee on Indian Affairs, which examined a number of witnesses, fur traders, Indian agents, factors, and the Superintendent of Indian Trade, and finally brought a bill providing for the abolition of the United States trading establishment with the Indian tribes, and the opening of the trade to licensed individuals. In support of this bill, Benton brought to bear his exhaustive knowledge of the men and interests involved and a fervid frontier enthusiasm that carried the Senate by storm. He proved that the goods offered by the government agents were not adapted to the wants of the Indians, citing in evidence the official invoices, and descanting at length and with truly Ben-

<sup>14</sup> Benson's *Thirty Years' View*. I, chap. ix.

tonian eloquence on the civilizing influence of the eight gross of Jews'-harps found in the list. He demonstrated that the goods had been bought at extravagant rates and unsuitable places of certain eastern firms, when they might be had at lower cost in Pittsburg or St. Louis. For example, shot was purchased at Georgetown for  $12\frac{1}{2}$  cents a pound when it was being manufactured at Herculaneum, thirty miles below St. Louis, for five cents; iron implements were purchased at Georgetown and were transported across the Alleghanies at heavy cost when the same articles could have been had at Pittsburg at lower prices. Fully one third the value of the goods, which the government undertook to sell at cost, consisted in transportation charges.<sup>15</sup> Moreover, the furs received through the government factories were habitually sold at Georgetown, by no means the best fur market in the country, and at private contract, not at auction; a practice against which Mr. Astor had put in a vigorous protest. Beaver skins were sold at Georgetown for \$2 a pound which would have brought \$3 at St. Louis. The cost of getting the pelts to this eastern market amounted to 56 per cent of their selling price.<sup>16</sup> This extravagant policy necessitated a scale of prices in factory sales that meant an advance of 40 to 60 per cent on the initial cost of the goods and enabled the private trader to underbid the government agent. The effect was that the Indians preferred to trade with the *coureurs du bois* sent out by the fur companies. Because of unbusinesslike and unenterprising methods, the government operations had dwindled from year to year until the business transacted at the factories was not sufficient to justify their existence. John R. Bell, one of the scientists of the Long expedition, testified before the Committee on Indian Affairs that he had noticed that the Indians, even in the immediate vicinity of the Missouri and the Kansas River posts, preferred to deal with private traders because these offered better goods at lower prices, while Ramsay Crooks stated that nine tenths of the Indian trade was in private hands. The operations of the year 1821, Benton summarized as

<sup>15</sup> Freightage from Georgetown to St. Louis via New Orleans amounted to  $4\frac{1}{2}$  cents per lb., via Pittsburg, 9 cents. During the years 1811-1820, the

Cost of goods furnished to the factories amounted to....	\$466,874
Cost of transportation.....	110,542
Incidental expenses.....	20,728
<sup>16</sup> Received from sales, 1805-1809.....	\$474,007
Cost of transportation.....	159,348
Contingent expenses.....	39,399

follows: "Green Bay sent nothing and no excuse. Red River sent nothing, factor dead. Marais des Cygnes sent nothing, just established. Fort Edwards does some better, sends \$44 worth of beeswax. Chicago does better still, sends \$329.98 worth of mink, raccoon, and muskrat skins. Osage better still, sends \$1,544.64 worth of skins, being \$444 less than the salary paid by the United States to the factor and sub-factor for their personal attention to this important concern. The other three, Prairie du Chien, Choctaw, and Arkansas, sent between them to the amount of about \$30,000."<sup>17</sup> The total receipts for the year were \$31,452.74, not a large showing for a capital of \$300,000 and a salary list of \$19,250.

The witnesses cited by Senator Benton can hardly be regarded as disinterested. Ramsay Cooks, who gave the most damaging testimony as to the inefficiency of the official agents, was Astor's right hand in the extension of the business of the American Fur Company into the Missouri River field, while Benjamin O'Fallon, Agent of Indian Affairs on the Missouri, had been appointed at the instance of Mr. Astor himself. His invective against the government factory did not stop at inefficiency. "It is generally believed in Missouri, Illinois, and I believe in Michigan, and by almost every officer with whom I have been stationed, that the superintendent and factors are growing rich in the service."<sup>18</sup> John Biddle, the newly appointed Indian agent at Green Bay, was hardly less severe. He said, "A useless institution has been kept up for years by plausible statements on paper, and by general declamation about atrocities which were never committed and horrors to be apprehended which must have excited the smile of the orator himself."<sup>19</sup> There was evidently some antagonism between the Office of Indian Trade and the Indian agents, to whom was entrusted the function of licensing the individual traders, while between these last frontier interests there was a suspicious harmony.

The Superintendent of Indian Trade made before the Committee an able defence of the conduct of his office, calling attention to the fact that Congress had imposed a heavy handicap upon the official trade by requiring that goods be bought and

<sup>17</sup> Benton's Abridgment of Congressional Debates. VII, 181-6. Cf. American State Papers. *Indian Affairs.* II, 352.

<sup>18</sup> American State Papers. *Indian Affairs.* II, 328.

<sup>19</sup> *Ibid.*

furs sold in the home markets. It was quite true that the stock in trade of the government factory was poor and costly. Some of the goods had been on hand for ten or twenty years. Many of the purchases had been made during and directly following on the recent war and at prices double or treble those now prevailing. The prices charged at the factories were not extravagant when the actual costs of transportation and incidental expenses were taken into account. An effort had been made to meet the criticism as to the stationary nature of the factory business by furnishing goods on credit to certain agents who carried them to the hunting grounds. The machination of private traders, notably of the American Fur Company, had prejudiced the operations of the government factories, particularly at Chicago and Green Bay, and these posts were about to be abandoned because the factors were thoroughly discouraged. Mr. McKinney quoted the former factor at Green Bay in proof of this assertion: "The agents of Mr. Astor hold out the idea that they will, ere long, be able to break down the factories; and they menace the Indian agents, and others who may interfere with them, with dismission from office through Mr. Astor."<sup>20</sup> The use of liquor in their commerce with the Indians gave the private traders an illicit but all-prevailing advantage, and the government had no machinery adequate to the preventing of this traffic. One Kenzie, an agent of the American Fur Company was detected selling whiskey to the Indians at "Milwalky", but no measures had been taken to stop him. "The Indians are frequently kept in a state of intoxication, giving their furs, etc., at great sacrifice for whiskey. A return to reason will induce many of them to say who sold them whiskey; but Indian testimony is not received." Under these conditions and taking into account the fact that the system had never been finally established but merely continued from one three year period to another, it was not surprising that the government trade was declining, to quote George C. Sibley, the factor at Fort Osage (1811-1821) "like a wretch under sentence of death."

This defence of the policy recommended by Washington and maintained for a quarter of a century was but feebly seconded in the debate on the bill. In matter of fact, few of the eastern representatives knew anything about the business and the western men were much of Benton's mind. Lowrie of Pennsylvania stated

<sup>20</sup> American State Papers. *Indian Affairs.* II, 360.

his conviction that the Superintendent was an able and upright administrator, but he conceded that the system had proven ineffective, to some degree for lack of capital, but more from lack of enterprise. "Nothing but individual industry and attention is equal to such a business." The bill abolishing the government trading houses became law March 31, 1821; but a year was allowed for the winding up of the business.<sup>21</sup> Benton forced through a supplementary act (May 6, 1822) providing that this task be entrusted not to the present incumbents, but to agents especially appointed for the purpose. He was well satisfied with the result. "When the system was closed up, and the inside of it seen, and the balance struck, it was found how true all the representations were which had been made against it. The Indians had been imposed upon in the quality and prices of the goods sold them; a general trade had been carried on with the whites as well as with the Indians; large per centums had been charged upon everything sold, and the total capital of \$300,000 was lost and gone."<sup>22</sup>

The committee appointed to investigate McKinney's conduct of the Indian trade and to ascertain if possible what had become of the invested funds reported (March 1, 1823) that it was believed "the conductors of the Indian Trade were generally men of integrity and honesty, not deficient in talent or enterprise, or any of the requisite qualifications for discharging the duties of their respective stations,"<sup>23</sup> hence the failure to recover a sum equal to the original stock seemed "inexplicable." The ex-Superintendent proved by cross-examination of the government witnesses and by business correspondence submitted that he had not, during the eight years of his incumbency, engaged in private trade nor had he been under any form of obligation to the merchants who had furnished the major portion of the supplies; that in the estimation of men of experience Georgetown was the best place in the country to purchase Indian goods and to sell furs; that articles so bulky as to mean costly transportation had been purchased, so far as possible, at Pittsburg or St. Louis; that all purchases had been made in the open market and with rigid scrutiny of quantity and quality of goods furnished, while the system of accounting adopted was well calculated to preclude

<sup>21</sup> "The law of 1811 was continued to June 3, 1822, and no longer."

<sup>22</sup> Benton's *Thirty Years' View*. I, ch. ix.

<sup>23</sup> American State Papers. *Indian Affairs*. II, 417.

fraud. The heavy losses involved in the forced sales were fully accounted for in the fact that the factory buildings were practically valueless, the goods on hand were largely unsaleable because antiquated or damaged in transportation (*e. g.*, at Chicago the stock in trade sold for only 54 cents on the dollar), while in some instances combination on the part of local merchants had systematically depressed prices. At several of the posts there were outstanding debts which could not be collected. (*E. g.*, at the Choctaw factory these amounted to 33 per cent of the total assets.)<sup>24</sup>

It was generally understood that the abolition of the government factories would be accompanied by a more rigid regulation of private trade, but these expectations were not fulfilled. The act of May 6, 1822, continued the function of granting licenses in the superintendent of Indian Affairs and the several agents in the field. The licensee must be a citizen of the United States, and was required to give bond for the due observance of the laws, in proportion to the capital involved but not to exceed \$5000. The term for a license for trade beyond the Mississippi was seven years, for trade among the nearer tribes two. A list of licensees must be returned to the Secretary of War each year for his inspection, but there was no stipulation as to moral character and no license fee was exacted. An attempt to restrict the sale of whiskey was made in the provision that "Stores and packages of goods of all Indian traders are to be searched upon suspicion or information that ardent spirits are carried into the Indian countries by said traders in violation of the act of 1802."

The triumph of *laissez faire* in the Indian trade was signalized by the immediate appearance in the Missouri River territory of two great rivals; the Rocky Mountain Fur Company, for which William Ashley<sup>25</sup> and Andrew Henry secured a license on April 11, 1822, and the American Fur Company, whose Western Department was organized in the same year under the immediate management of Ramsay Crooks. The career of these two enterprises has been so fully and brilliantly treated by Captain Chittenden that it need not be developed here.<sup>26</sup> Suffice to say that

<sup>24</sup> American State Papers. *Indian Affairs.* II, 417-27.

<sup>25</sup> Ashley's capital was \$8,000 and his bond \$4,000.

<sup>26</sup> H. M. Chittenden, *History of the American Fur Trade of the Far West.* F. P. Harper, 1902.

it was cut-throat competition in very truth. The rival traders did not hesitate to mislead each other by fraud and trickery, to rob each other's stores, to seduce and murder each other's men. Whiskey, the most effective lure of the red man, was carried up the river under the very noses of the government inspectors at Fort Leavenworth. It was difficult for the great barges of the American Fur Company to escape detection, but McKenzie, factor at Fort Union, solved the difficulty by setting up a distillery where the parti-colored Mandan corn was converted into "as fine a liquor as need be drunk." In justification, he pleaded that his rivals, Sublette and Campbell, had brought in quantities of alcohol. "Liquor I must have or quit any pretension to trade in this part."<sup>27</sup>

The effect of a few years of freedom from restraint is made evident in reports rendered by Colonel Snelling and Governor Cass, witnesses whose intimate knowledge of the frontier and sympathy with its interests will not be called in question. Both speak of the upper Mississippi district. "The neighborhood of the trading houses where whiskey is sold presents a disgusting scene of drunkenness, debauchery, and misery; it is the fruitful source of all our difficulties, and of nearly all the murders committed in the Indian country. In my route from St. Peters to this place, I passed Prairie du Chien, Green Bay, and Mackinac; no language can describe the scenes of vice which there presented themselves; herds of Indians are drawn together by the fascination of whiskey, and they exhibit the most degraded picture of human nature I ever witnessed..... The present year there have been delivered to the agent of the North American Fur Company at Mackinac (by contract) three thousand, three hundred gallons of whiskey, and two thousand, five hundred of high wines..... An inquiry into the manner in which the Indian trade is conducted, and especially by the North American Fur Company is a matter of no small importance to the tranquility of the border."<sup>28</sup> Governor Cass was no less severe in his condemnation of the traders and recommended that "In granting licenses, a discretionary power should be vested in the agent. Many persons obtain licenses who are utterly unfit to enter the Indian

<sup>27</sup> H. M. Chittenden, *History of the American Fur Trade of the Far West.* I, 358.

<sup>28</sup> Col. J. Snelling, August 23, 1825. *American State Papers. Indian Affairs.* II, 661.

country. While there, they violate the laws, and produce the worst effects upon the morals of the Indians. From the nature of the trade, and the residence of the persons engaged in it, it is difficult, almost impossible to detect breaches of the laws committed in the Indian country. Offenders too often escape with impunity; and, although some restraint is imposed by the abundant security which is given by all the traders, still an irreproachable character in life is a better guaranty for the correct conduct of the applicant than any previous security or eventual fear of punishment.... It is also important that, when a person has been once detected in a breach of the laws regulating trade and intercourse with the Indians, he should be forever excluded from the Indian country. In the existing state of things, a trader may go on sinning against the law, year after year, without paying the penalty of misdemeanor or being discovered, and still be entitled to a license as often as he applies for it."<sup>29</sup>

The demoralization of the Indians proceeded without let or hindrance until they could no longer be relied upon as hunters, and trapping parties of white men were substituted. These were less rapidly but no less surely demoralized by liquor and the credit system, until the frontier became a synonym for lawlessness and debauchery. Larpenteur, who served the American Fur Company, first as engagee and later as clerk, during the years of its decline, bears abundant witness to the unscrupulous methods to which both the Great Company and the opposition were obliged to resort and to the deadly effects of whiskey on white men and redskins alike. Fur-bearing animals, the otter, beaver, and buffalo, were exploited with a ruthless disregard of every interest but the immediate profit of the party in the field. Twenty years of the competitive regime sufficed to exhaust the resources of the Cordilleran area and terminate the epoch of the fur trade in the United States.

It would be rash to assert that the adoption of the suggestion of Chouteau, Calhoun, Biddle, and Atkinson, that the monopoly of the Indian trade on the upper Missouri be granted to a large and responsible company, would have obviated the disastrous effects of competition; but one should in all fairness bear in mind the policy of the great monopoly of the Canadian fur

<sup>29</sup> Gov. Lewis Cass, 1826. *American State Papers. Indian Affairs.* II, 659. Cf. Account of private traders at Chickasaw Bluffs, 1819. *Nuttall's Journal,* 88. *Early Western Travels.* XIII, 88.

trade, the Hudson's Bay Company. Assured of exclusive control of the vast area between Labrador and the Columbia River, the management had every inducement to conserve its resources. The hunt was confined to the winter season, and the taking of females and young was discouraged. The loyalty and respect of the Indians was cultivated, and liquor rigorously banned from the trade. The factors were men of intelligence and character, such as Dr. McLoughlin of Fort Vancouver, and their decisions were accepted as having the force of law by clerk, engagee, and free trapper alike. Nathaniel J. Wyeth was assuredly not a partisan of the Hudson's Bay Company, but in his Memoir on the Fur Trade, submitted to the House Committee on Foreign Affairs in 1839, he thus contrasts the British and American policies: "By the indiscriminate trading of all persons with the Indians, individual safety, profit, national policy, and good of the Indians are alike sacrificed. Where one murder is committed on English parties or individuals, I am certain there are more than ten on our people. With the British traders everything is different; one company has the exclusive control of the trade in all places, except where the Americans have enjoyed an equal right, west of the mountains. They can trade as many beaver from a district as they think it will bear without diminishing the breeding stock, and thus continue their trade instead of destroying it. They can prevent the beaver being taken except at the best season. They can refuse supplies of ammunition beyond necessary and immediate consumption, and thereby prevent any accumulation dangerous to themselves. Besides, and stranger than all which, is the fact that the white man's inventions in the hands of one tribe at once become articles of absolute necessity to all others; and, there being but one party from whom to obtain them, they must be at peace with that party. Thus the trader who is without competition in an Indian country, however weak his force, not only may compel the Indians to respect him and his property, but, if he chooses, prevent one tribe from warring with another; the practical illustration of which is, that in all the country where the Hudson's Bay Company have exclusive control, they are at peace with the Indians, and the Indians among themselves. Wars with the Indians on the British frontiers have long since ceased; and this has been affected by giving the control of the Indian trade to one company and keeping control of that company in their own hands. The power to revoke the

charter of the Hudson's Bay Company renders them subservient to the will of the government when they have any object in view."

The American fur traders had no such code of morals. Competition forced the best of them to sell cheap whiskey to Indians and trappers alike and cheat them out of their furs. The employees were not bred to the business as were the Scotchmen who entered the service of the Hudson's Bay Company with full expectation of sure and speedy advancement. The former were often wild young men, weary of the restraints of civilization, or renegades, ready and ripe for any crime. Wyeth's Memoir bears out this statement. "A further evil that attends our loose laws and their looser execution is that the Indian country is becoming a receptacle for fugitives from justice. The preponderance of bad character is already so great amongst [our] traders and their people, that crime carries with it little or no shame." The frontiersman was bred to contempt of the Indians and preferred force to the conciliatory policy instinctive with the French Canadians and half-breeds. Finally during the epoch of the fur trade, there was no law, no police, no civil authority in the territory between the Missouri River and the Rockies, whereas the British government had constituted the Hudson's Bay Company factors justices of the peace, making them responsible for the maintenance of peace and order. A clerk in Dr. McLoughlin's employ at Fort Vancouver thus describes the competitive regime prevailing in the United States. "In the American mode of commerce with the natives, there was no unity of purpose; no communion of interest, no fraternity of feeling, no system, no guiding spirit to direct and control it; but it was a loose, dissipated, jealous sort of thing—jealous not only of British rivalry, but of American rivalry—and eager to grasp at any article of trade, however worthless, and by any means, however unworthy."<sup>30</sup>

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<sup>30</sup> Dunn, *Oregon and the History of the British North American Fur Trade*, p. 228.